

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:	)	Confirmation No.: 3966
Paul A. Francisco et al.	)	
Serial No.: 09/195,105	)	Group Art Unit: 3628
Filed: November 18, 1998	)	Examiner: Akiba K. Robinson Boyce
For: POINT OF TAX REPORTING AND	)	
AUTOMATIC COLLECTION SYSTEM	)	
WITH TAX REGISTER	)	

Mail Stop AMENDMENT  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

**DECLARATION UNDER 37 C.F.R. § 1.131**

We, Paul A. Francisco and Frederick J. Petschauer, declare as follows:

1. As used herein, the term "we" refers to Paul A. Francisco and Frederick J. Petschauer, individually or collectively, acting alone or in collaboration with each other.
2. We are the named inventors of the above-identified application and are the sole inventors of the subject matter described and claimed therein.
3. The present application was filed on November 18, 1998 and claims priority to U.S. Application No. 08/726,928 (now U.S. Patent No. 5,875,433 (the "433 Patent")), filed on October 7, 1996, which claims priority to U.S. Application No. 08/438,890 (now U.S. Patent No. 5,799,283 (the "283 Patent")), filed on May 10, 1995.
4. Prior to February 13, 1995 (the earliest effective filing date listed on the face page of U.S. Patent No. 6,640,304 to Ginter et al. ("Ginter")), we conceived in this country the invention as described and claimed in the above-identified application. At least prior to February 13, 1995 and continuing up to May 10, 1995 (the filing date of the '283 patent), we diligently pursued the invention. Evidence of our conception and due diligence is set forth below and attached hereto as Exhibits A to O. Portions of the exhibits have been redacted in order to maintain attorney-client confidentiality as permitted under MPEP § 715.07.
5. Prior to February 13, 1995, we discussed our invention in a phone call to Mr. Myers, a patent attorney practicing with Myers, Liniak & Berenato, based in Maryland.

Mr. Myers agreed to represent us in preparing and prosecuting a patent application for our invention. Attached hereto as **Exhibit A** is a copy of a letter to Mr. Myers with our invention disclosure. The letter is dated prior to February 13, 1995, but the date has been redacted as is permitted under MPEP § 715.07. The relationship of claims 30 to 32 of the present application to the disclosure in Exhibit A is set forth in greater detail below.

6. On Thursday, February 9, 1995, we discussed our invention in a telephone call with Joseph Rhoa, another patent attorney at Myers, Liniak & Berenato. Joe discussed the possibility of conducting a patentability search and the nuances of patentable subject matter.

7. On Monday, February 13, 1995, we received a fax from Joe (a copy of which is attached hereto as **Exhibit B**) summarizing our telephone conversation of February 9, 1995, and advising us to further specify certain electrical or mechanical components of the invention.

8. We paid Joe to conduct a patentability search. Joe received our check on Tuesday, February 14, 1995 as shown in a February billing record from Myers, Liniak & Berenato, attached hereto as **Exhibit C**.

9. On Wednesday, February 15, 1995, Joe conducted a patent search as shown in the February billing record in Exhibit C. Joe faxed to me a patent from his search. I reviewed the patent and wrote to him later that day as to how our invention was different, and that I would call him the next day to discuss the patent. A copy of my letter to Joe is attached hereto as **Exhibit D**.

10. On Thursday, February 16, 1995, I talked with Joe regarding the patent that he identified during his patent search. (See February billing record, Exhibit C.)

11. On Friday, February 17, 1995, I sent a letter to Joe (a copy of which is attached hereto as **Exhibit E**) enclosing a flow chart of our invention. The flow chart included equipment that facilitated the invention.

12. Monday, February 20, 1995 was President's Day, a holiday.

13. On Tuesday, February 21, 1995, Joe went to the U.S. Patent & Trademark Office and conducted a further patent search. (See February billing record, Exhibit C.)

14. On Wednesday, February 22, 1995, Joe prepared a report of his findings from the patent search and sent us a letter detailing the same (a copy of which is attached hereto as **Exhibit F**). (See also, February billing record, **Exhibit C**.)

15. Between Friday, February 24, 1995 and Friday, March 10, 1995, we discretely investigated the marketability of our invention. We also modified our invention and outlined the modifications in a letter with attachments to Joe dated March 10, 1995 (a copy of which is attached hereto as **Exhibit G**).

16. On Monday, March 13, 1995, we sent two letters to Joe. One letter discussed the possible integration of Electronic Data Exchange communication technology with the invention. A copy of this letter is attached hereto as **Exhibit H**. The second letter provided Joe with a rough draft of an Abstract and Background. A copy of the second letter is attached hereto as **Exhibit I**.

17. Between Tuesday, March 14, 1995 and Tuesday, March 21, 1995, we prepared an equipment schematic and revised the reporting format of the invention to include tips earned by tipped employees. A copy of my letter to Joe dated March 21, 1995 detailing these developments is attached hereto as **Exhibit J**.

18. Between Thursday, April 6, 1995 and Monday, April 17, 1995, Joe prepared a draft patent application. (See April billing record from Myers, Liniak & Berenato, attached hereto as **Exhibit K**.)

19. On Monday, April 17, 1995, Joe faxed us a letter, a copy of which is attached hereto as **Exhibit L**, advising us that he was sending the draft patent application to us via Federal Express. Joe also sent us a letter, a copy of which is attached hereto as **Exhibit M**, enclosing the draft application. (See also, April billing record, **Exhibit K**.)

20. Between Tuesday, April 18, 1995 and Monday, May 8, 1995, we reviewed the draft patent application. Also during this time period, Joe finalized the application and prepared an Information Disclosure Statement, Declaration and Small Entity Form. Joe forwarded these documents to us with a letter dated May 8, 1995, a copy of which is attached hereto as **Exhibit N**.

21. On Tuesday, May 9, 1995, we executed the Declaration and Small Entity Form. A copy of the executed Declaration and Small Entity Form is attached hereto as **Exhibit O**.

22. On Wednesday, May 10, 1995, Joe filed our patent application with the U.S. Patent & Trademark Office, which eventually matured into the '283 patent.

23. The relationship of the subject matter of claims 30 to 32 to the point of sale tax reporting system shown in Exhibit A is set forth below.

(a) Independent claim 30

Preamble: a point of sale tax reporting system is described in Exhibit A. (See Exhibit A, page 3, lines 1 and 2).

Paragraph 1: the system includes at least one tax register of a retailer. (See Exhibit A, page 3, line 30.) The tax register includes a processor configured to process transaction data and generate tax data including a calculation of an amount of tax to be paid to a government taxing authority for a transaction between a consumer and the retailer. (See Exhibit A, page 3, lines 18, 19 and 40-42.)

Paragraph 2: the system includes a communication link directly connecting over a network the tax register to the government taxing authority. (See Exhibit A, page 3, lines 27, 28 and 32.) The tax register is programmed to transmit the tax data directly to the government taxing authority via the communication link. (See Exhibit A, page 3, lines 18, 19 and 32).

(b) Dependent claim 31

The transaction data includes an amount of money received by the retailer from the consumer for the transaction. (See Exhibit A, page 3, lines 18, 19, 38 and 39.)

(c) Independent claim 32

Preamble: a computer implemented tax reporting system for consumer-retailer transactions is described in Exhibit A. (See Exhibit A, page 3, lines 1 and 2).

Paragraph 1: the tax reporting system has a computer system that includes at least one processor associated with at least one software component executable by the processor collectively operable to:

process transaction data including a sales transaction between a consumer and a retailer (see Exhibit A, page 3, lines 18 and 19);

generate tax data including a calculation of an amount of tax to be paid to a government taxing authority based on the sales transaction (see Exhibit A, page 3, lines 40 and 41);

directly connect via a communication link over a network to the government taxing authority (see Exhibit A, page 3, lines 28 and 32); and

automatically transmit the tax data (see Exhibit A, page 3, line 1) over the network (see Exhibit A, page 3, line 28) directly (see Exhibit A, page 3, line 32) to the government taxing authority (see Exhibit A, page 3, lines 32 and 33) via the communication link (see Exhibit A, page 3, lines 24 and 25).

We declare further that all statements made herein of our own knowledge are true and that all statements made on information and belief are believed to be true; and further, that the statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patents issuing thereon.

Dated: 1-12-2012

By: Paul Francisco

Paul Francisco

Dated: 1-12-2012

By: Frederick Petschauer

Frederick Petschauer

# Exhibit A

**PETSCHAUER and FRANCISCO**

CERTIFIED PUBLIC ACCOUNTANTS

700 11th Avenue  
Post Office Box 100  
Belmar, New Jersey 07718

908 280-8748  
FAX: 908 461-6660

FREDERICK J. PETSCHAUER, CPA  
PAULA FRANCISCO, CPA

Mr. Geoffrey Myers  
Myers, Liniak & Berenato  
6550 Rock Spring Dr  
Bethesda, Maryland 20817

[REDACTED]


Dear Mr. Myers,

We would like to thank you for accepting us as your client and agreeing to represent us in the obtaining of a U.S. Patent for our invention a " Point of Sale Tax Reporting and Automatic Collection System". It is an invention whose time is long past due, is worth billions in additional State and Federal Tax revenues and,

[REDACTED]

Rick and I appreciate your assistance in this matter.

Very truly yours,

  
Paul A. Francisco

## INTRODUCTION

-----

Electronic transfers of debits, credits and cash funds is not new. Every day there are millions of transfers of funds done electronically. Think of banks, credit card companies, ATM machines and the taxes paid by national payroll companies such as ADP. Basically, the whole country is wired together. Our invention will use this system to report and collect all taxes due at the retail level. It will not be effective against collusive transactions such as a patient agreeing to pay his doctor in cash for a reduced fee.

Also for the important edification of the reader I would like to explain how a credit card transaction works. Visa or Amex does not process your charge transaction. They merely receive their 4% fee from the retailer. Large data processing houses handle the transactions and act as a middleman. They own the hardware and the software. The middleman collects the funds from the card holder and distributes the funds accordingly.



POINT OF SALE TAX REPORTING AND AUTOMATIC  
COLLECTION SYSTEM  
-----

From time to time it is published that the underground economy, via skimming at the retail level, is cheating the state and federal government out of 50 to 100 billion dollars per year. The flaw in the system is that retailers declare the amounts sold and the sales tax collected on an honor system subject only to the sporadic checks of an auditor. Most establishments are never visited. All retail customers who pay sales tax want their money to be paid over to the state. Unfortunately many unscrupulous retailers take the cash and the tax and put it in their pocket. The transaction is gone forever and the poor customer has no way of knowing if he turned over the sales tax. The retailer now takes the cash which he passes on to another retailer in exchange for goods or services and so the cycle goes.

Our invention causes every retail transaction to be reported to the taxing authorities. Under this system every retail customer will ask the retailer for his "TAX PAID RECEIPT".

Using readily available equipment like the common Mastercard and Visa terminal that you see in restaurants we would be able to accomplish our task. Each and every retailer would be live-on line with the state treasury office much like a lottery machine in a candy store.

Recording every retail transaction in an electronic data network is the key. It sounds onerous but it isn't. For practical purposes 40% of all retail transactions are charged and therefore in the system. Our tax terminal would summarize the daily activity of all charges and forward the required sales tax directly to the state treasury directly from the consumer in the same fashion that Amex gets it 4% user fee from the retailer.

The 60% cash transactions would be entered in the same way from the same terminal by entering "cash sale" and "tax collected". The customer now gets a tax stamp or receipt indicating that his money was paid over to the treasury. The burden of policing the system is now on the consumer. At the end of the day the terminal totals up the days tax collected and the next morning is debited out of the retailers account and credited to the state treasury.

For those retailers without terminals we would use the same technology as a small portable Pitney Bowes stamp machine. The retailer would have to pay to "fill it up" and issue state tax stamps receipts to customers and when it was depleted he would have to go back to the state and pay for another "fill up". Again, all customers would demand receipts.

Now the real consequences of this system kick in. At the end of the year all states using the system issue Gross Income form 1099 to the IRS. This is the true top line of the retail establishment from which he will deduct expenses and pay taxes. The effect on federal income taxes and social security tax collections is incalculable.

This process can be implemented over a short period of time. Many organizations will strongly object to its implementation, for obvious reasons. Potential customers or licensees are all 47 states that collect sales tax and the federal government. As an added bonus enforcement costs at the state level decrease dramatically.

Thank you,

Paul Francisco  
and  
Frederick Petschauer

# Exhibit B

**MYERS, LINIAK & BERENATO**

PATENT, TRADEMARK &amp; COPYRIGHT LAW

6550 ROCK SPRING DRIVE  
SUITE 240

BETHESDA, MARYLAND 20817

TELEPHONE: (301) 385-5000

FACSIMILE: (301) 711-5482

ARLINGTON, VIRGINIA OFFICE  
JONES, TULLAN & COOPER, P.C.  
2001 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22202  
TELEPHONE (703) 415-1500OF COUNSEL  
WILLIAM D. HALL  
H. WALTER HAKUSKELN  
JACK D. PUFFERGREGORY R. MYERS\*\*  
THOMAS P. LINIAK\*  
JOSEPH W. BERENATO, III\*\*  
GEORGE M. COOPER\*\*  
DOUGLAS R. HANSCOM\*  
ERIC S. SPECTOR\*\*  
FELIX J. D'AMBRASIO\*\*  
JAMES W. HELLWEGE\*\*  
WILLIAM A. BLAKE\*  
JOSEPH A. RHUA\*

February 13, 1995

J. ANDREW MCKINNEY, JR.  
SCOTT W. BRICKNER  
REG. PATENT AGENTS\* ADMITTED IN D.C.  
\* ADMITTED IN MD.  
\* ADMITTED IN VA.

VIA FAX TRANSMITTAL

Mr. Paul A. Francisco  
Petschauer and Francisco  
700 10th Avenue  
P.O. Box 150  
Belmar, New Jersey 07719Re: Automatic Point of Sale Tax  
Collection System  
Our Ref. No.: 2434.110

Dear Mr. Francisco:

This is a follow-up to our telephone conversation of  
February 9, 1995.As discussed during our conversation, the first step to be  
taken in obtaining patent protection for your idea is to have a  
patentability search conducted at the United States Patent and  
Trademark Office. [REDACTED]

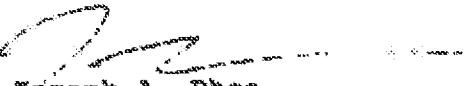
[REDACTED]

MYERS, LINIAK & BERENATO

Mr. Paul A. Francisco  
February 13, 1995  
Page two

We will begin work on your patentability search when we  
receive your check.

Very truly yours,

  
Joseph A. Rhca

JAR/kn

# Exhibit C

MYERS, LINIAK & BERENATO  
6550 Rock Spring Drive  
Suite 240  
Bethesda, Maryland 20817  
(301) 365-8000

2/28/95

PETESCHAUER & FRANCISCO  
MR. PAUL FRANCISCO  
P. O. BOX 150  
BELMAR NJ 07719

MATTER 02434.110 TAX COLLECTION INVENTION

	Activity This Period	Total
2/14/95	TYMT CK# 1490	900.00
2/15/95	JAR:CONDUCT LEXIS DATE BASE SEARCH; REVIEW INVENTION AND BEGIN SEARCH AT PATENT OFFICE	3.00 Hrs at \$150.00 450.00
2/16/95	JAR:T/C P.FRANCISCO; REVIEW [REDACTED] PATENT	0.50 Hrs at \$150.00 75.00
2/21/95	JAR:CONTINUE SEARCH AT PATENT OFFICE	2.00 Hrs at \$150.00 300.00
2/22/95	JAR:REVIEW PATENTS FROM SEARCH; FORWARD SEARCH REPORT TO CLIENT	0.50 Hrs at \$150.00 75.00

EXPENSES INCLUDED IN QUOTE

Amounts Now Due for Matter 02434.110  
Paid in Full

	Service	Expense
Previous Balances	0.00	0.00
Payments Received This Period	900.00CR	0.00
	=====	=====
Balances Forward	900.00CR	0.00
Billed This Period	900.00	0.00
	=====	=====
Current Balances	0.00	0.00
Total Now Due		0.00

# Exhibit D



**PETSCHAUER and FRANCISCO**

CERTIFIED PUBLIC ACCOUNTANTS

700 10th Avenue  
Post Office Box 150  
Belmar, New Jersey 07718

908-290-8748  
FAX 908-841-8548

FREDERICK J. PETSCHAUER, CPA  
PAULA FRANCISCO, CPA

Myers et.al,  
Bethesda MD

February 15, 1995

Att: Mr Joe Rhoa

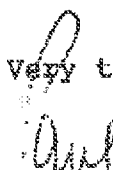
Dear Joe,

[REDACTED]

My application will, of course, be directed at collecting sales tax from unrelated individuals who might otherwise choose not to report the tax and revenue.

If this is all that you can find we are overjoyed. I will call you tomorrow.

Very truly yours,

  
Paul Francisco

# Exhibit E

**PETSCHAUER and FRANCISCO**

CERTIFIED PUBLIC ACCOUNTANTS

700 10th Avenue  
Post Office Box 150  
Belmar, New Jersey 07718

908-980-8740  
FAX: 908-981-2548

FREDERICK J. PETSCHAUER, CPA  
PAUL A. FRANCISCO, CPA

Myers, Liniak & Derenato  
6550 Rock Spring Dr  
Suite 240  
Bethesda, MD 20817  
Mr Joseph Rhoads

February 17, 1995

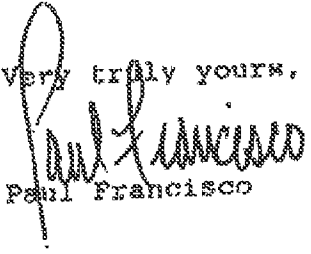
Dear Joe,

I have completed a flow chart of my invention. Two pieces of equipment are required besides the usual computers data processing equipment and printers. One is a smart tax register which may or may not be integrated with a cash register that records every transaction and sends the data electronically to the state. For other transactions not wired to the state a declining register is used to generate a state "tax Paid" stamp.

Please review the enclosed information and advise me of the next step.

Also, when you give us your opinion today please address it to both of us.

Very truly yours,

  
Paul Francisco

# Exhibit F

# MYERS, LINIAK & BERENATO

PATENT, TRADEMARK & COPYRIGHT LAW

6550 ROCK SPRING DRIVE

SUITE 240

BETHESDA, MARYLAND 20817

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JOSEPH W. BERENATO, III\*\*  
GEORGE M. COOPER\*\*  
DOUGLAS R. HANSCOM\*  
ERIC S. SPECTOR\*\*  
FELIX J. D'AMBROSIO\*\*  
JAMES W. HELLWEGE\*\*  
WILLIAM A. BLAKE\*  
JOSEPH A. RHOA\*

ARLINGTON, VIRGINIA OFFICE  
JONES, TULLAR & COOPER, P.C.  
2001 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22208  
TELEPHONE: (703) 418-1500

OF COUNSEL  
WILLIAM D. HALL  
H. WALTER HAEUSSLER  
JACK D. PUFFER

J. ANDREW MCKINNEY, JR.  
SCOTT W. BRICKNER  
REG. PATENT AGENTS

\* ADMITTED IN D.C.  
\* ADMITTED IN MD.  
\* ADMITTED IN VA.

February 22, 1995

VIA FAX TRANSMITTAL

Mr. Frederick J. Petschauer, C.P.A.  
Mr. Paul A. Francisco, C.P.A.  
Petschauer and Francisco  
700 10th Avenue  
P.O. Box 150  
Belmar, New Jersey 07719

Re: Search Report  
"POINT OF SALE TAX REPORTING  
AND AUTOMATIC COLLECTION SYSTEM"  
Our Ref. No.: 2434.110

Dear Messrs. Francisco and Petschauer:

This is in response to your request for a search and corresponding report with respect to the above-referenced invention. Our report is as follows.

As we understand it, your invention is a Point of Sale Tax Reporting and Automatic Collection System as set forth in your letters of [REDACTED]

[REDACTED]

MYERS, LINIAK & BERENATO  
Messrs. Frederick J. Petschauer  
and Paul A. Francisco  
February 22, 1995  
Page two

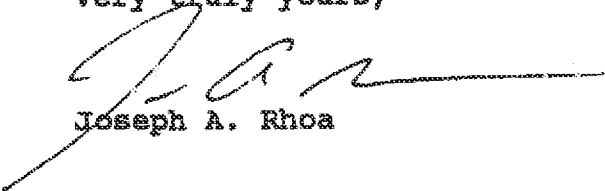
[REDACTED]

MYERS, LINIAK & BERENATO  
Messers. Frederick J. Petschauer  
and Paul A. Francisco  
February 22, 1995  
Page three

[REDACTED]

Please get back to us with your comments on the prior art  
discussed herein.

Very truly yours,



Joseph A. Rhoa

JAR/kn

Enclosures

# EXHIBIT G



## PETSCHAUER and FRANCISCO

CERTIFIED PUBLIC ACCOUNTANTS

700 10th Avenue  
Post Office Box 160  
Rahway, New Jersey 07719908-280-8748  
FAX: 908-681-6648FREDERICK J. PETSCHAUER, CPA  
PAUL A. FRANCISCO, CPAMyers, Liniak & Berenato  
6550 Rock Spring Dr  
Suite 240  
Bethesda MD 20817  
Mr Joseph Rhoe

March 10, 1995

Dear Joe,

Thank you for the favorable opinion we received from you. The last two weeks we were descretely exploring the marketability of our invention. We are pleased to tell you that the patent is saleable and the idea is useable. Now on to the next step.

I have modified the system slightly, the changes include:

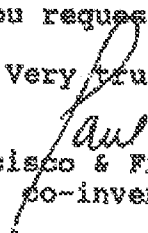
- \* A state owned indicia for imprinting a tax stamp.
- \* A sketch of a mainframe network to accumulate regional data for forwarding to the state.
- \* A patentable piece of equipment- a cash register with a built in tax register that is live-on-line to the mainframes for accumulation of tax information.
- \* Redirectiong of credit card transactions so that the state sales tax is paid instantly when a card is swiped thru the CC machine. (Saves each State \$20 million on time value of money alone).

[REDACTED]

Also, the invention is aimed at state sales tax, any national sales tax, if implemented, state and federal payroll taxes, social security taxes and state and federal unemployment taxes and in foreign countries, the "value added taxes". As I mentioned before this is a global system.

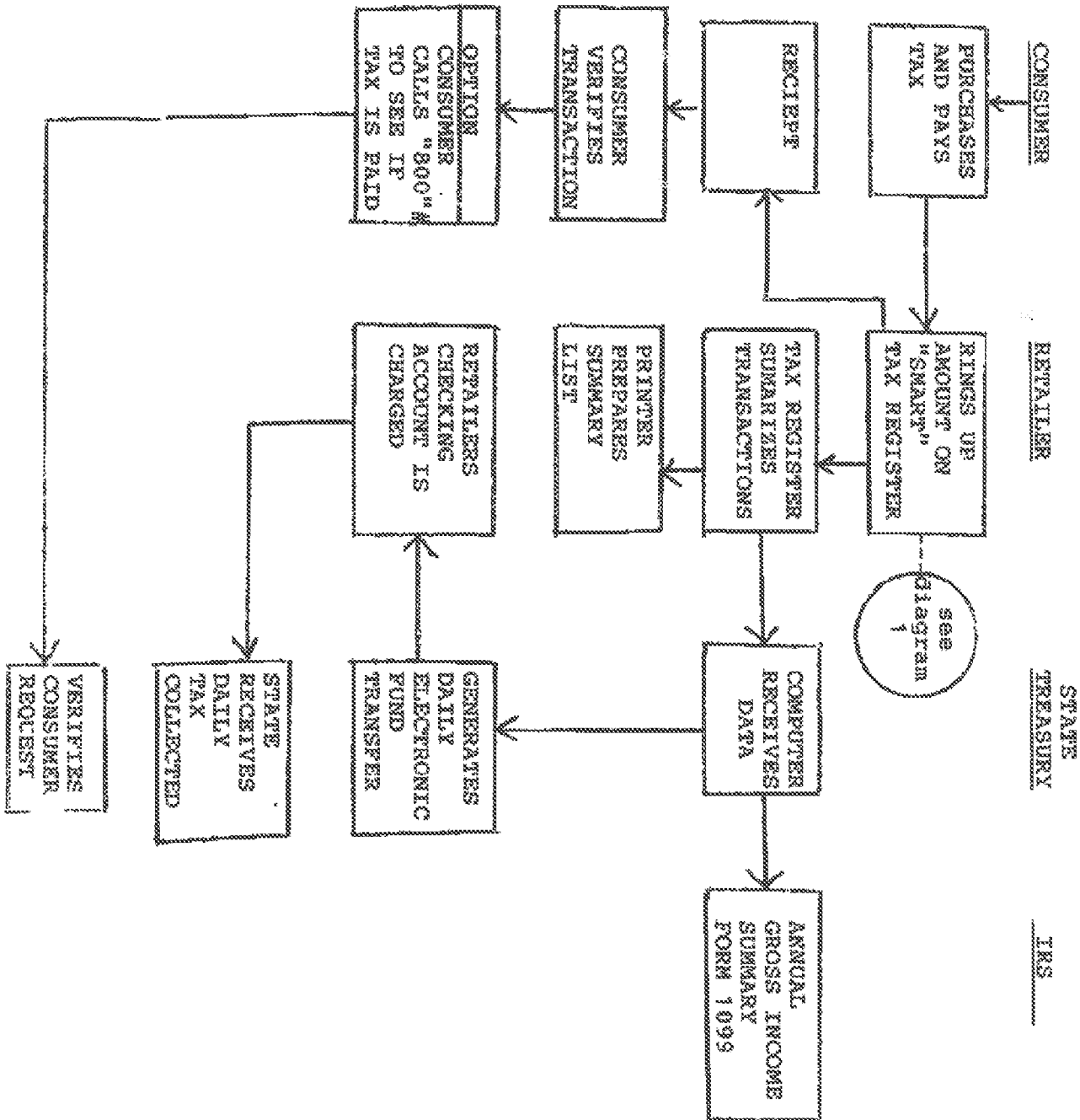
Enclosed is the \$ 1,500 you requested.

Very truly yours,

  
Paul Francisco & Frederick Petschauer  
Co-inventors

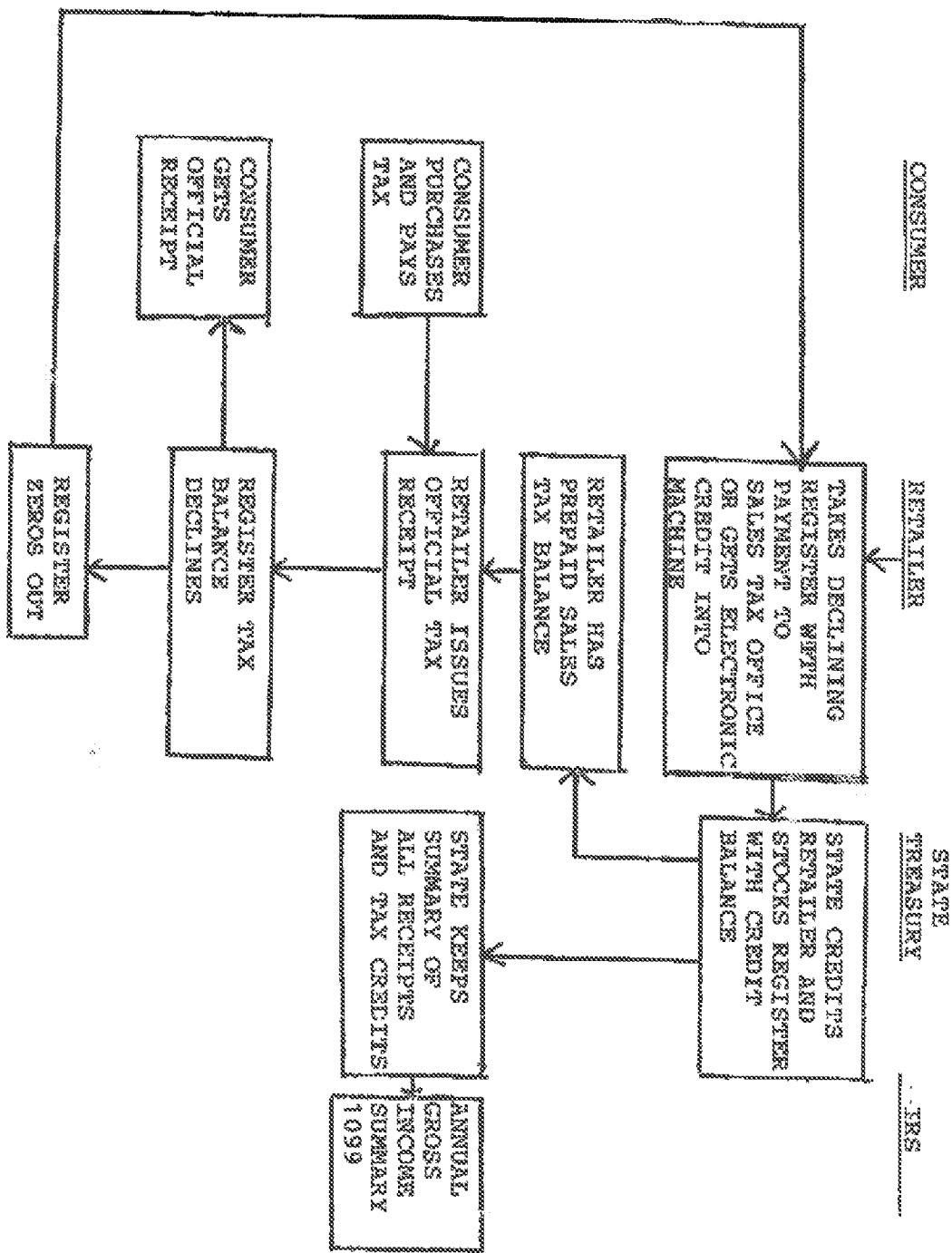
POINT-OF-SALE--TAX-REPORTING-AND-  
AUTOMATIC COLLECTION SYSTEM

ELECTRONIC  
FORMAP



POINT-OF-SALE-TAX-REPORTING-AND-  
AUTOMATIC COLLECTION SYSTEM

MANUAL  
FORMAT



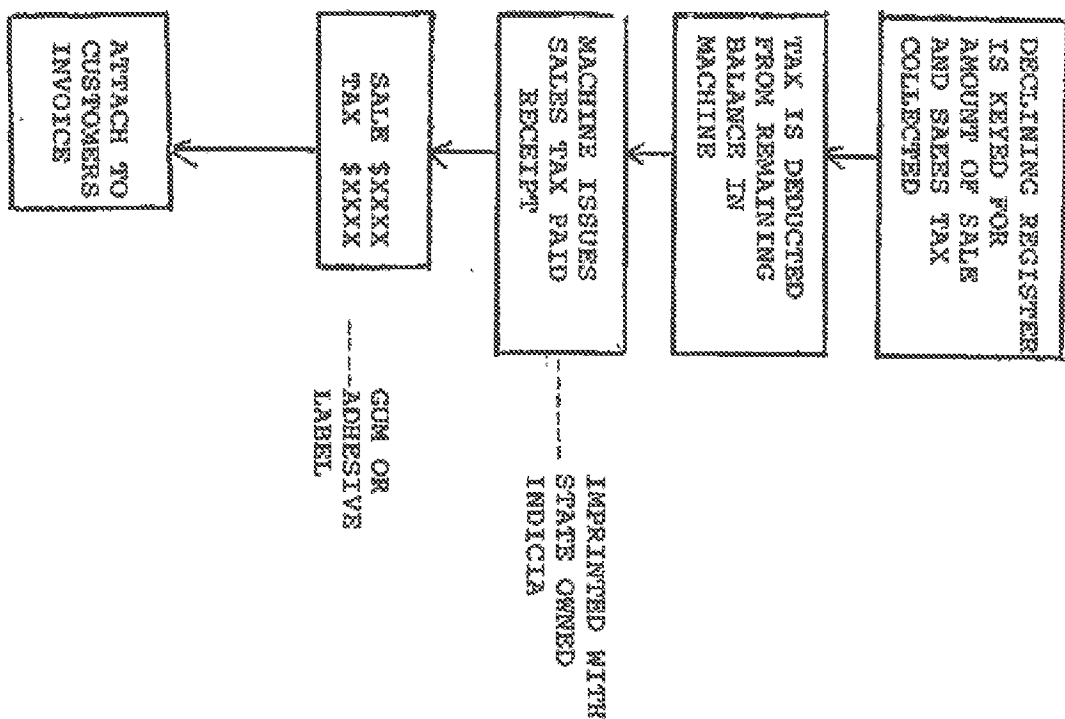
POINT OF SALE- TAX REPORTING AND  
AUTOMATIC COLLECTION SYSTEM

CUSTOMER RECEIPT  
FROM SMART  
REGISTER

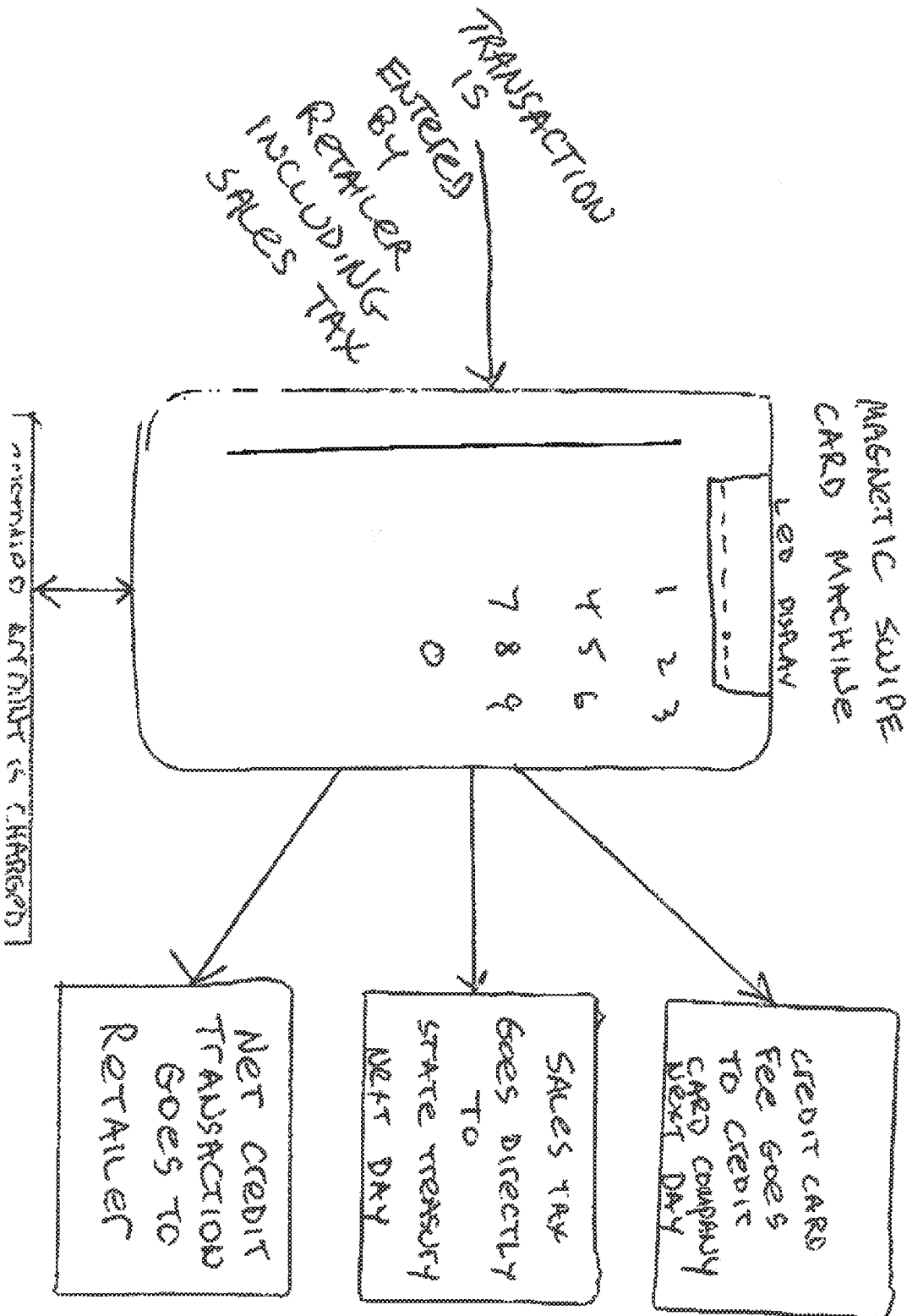
RETAILER NAME	STATE
LOCATION	OWNED
PHONE #	INDICIA
SALES TAX ID #	AUTHENTICATES
	TRANSACTION
AMOUNT OF SALE \$XXXXX	
TAX COLLECTED \$XXXXX	
TRANSACTION #XXXXXXXXXX	
TO VERIFY YOUR TRANSACTION CALL 1-800-9999	
(follow menu instructions)	

POINT OF SALE TAX REPORTING AND  
AUTOMATIC COLLECTION SYSTEM

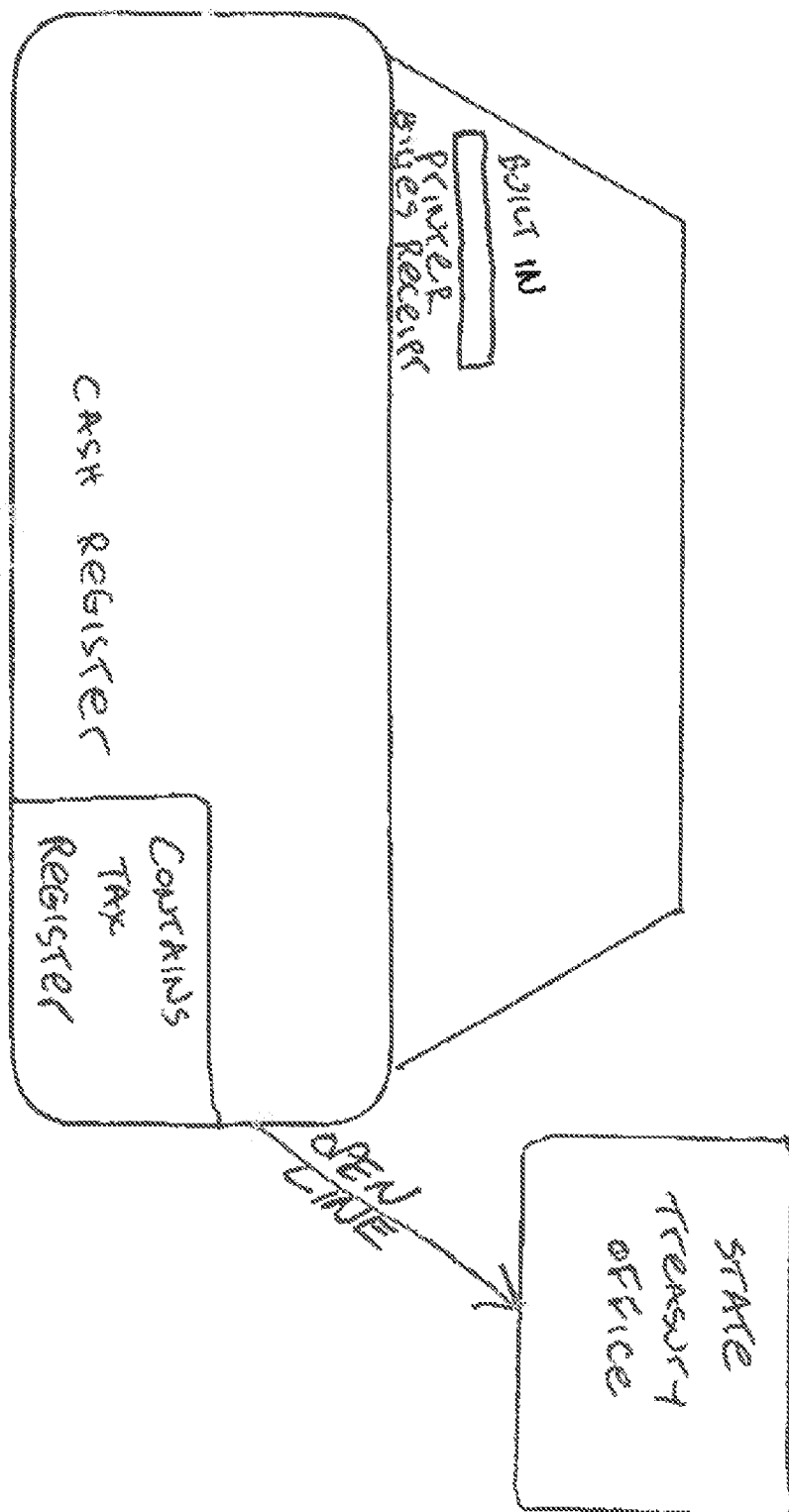
CUSTOMER  
RECEIPT FROM  
DECLINING  
REGISTER



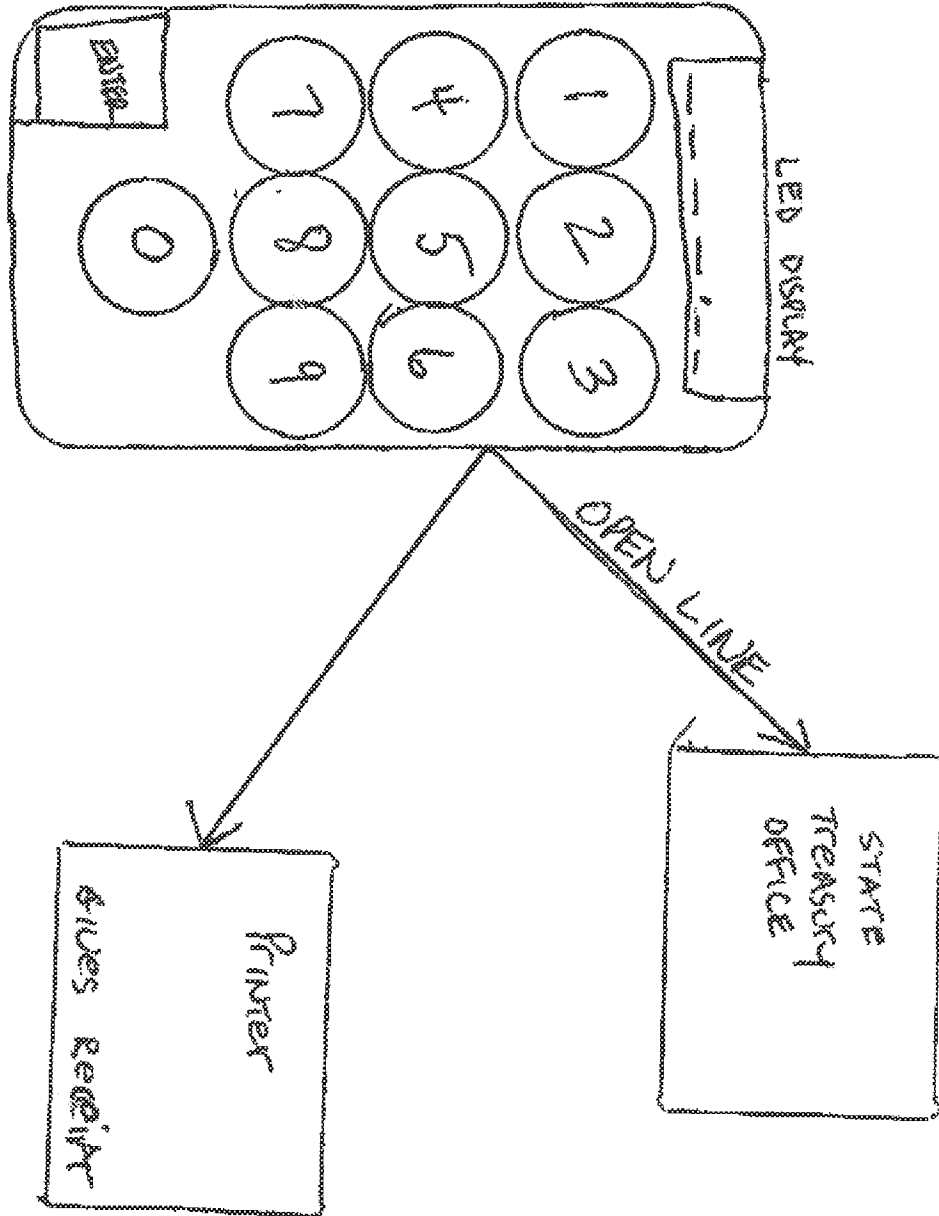
for Credit Card Transactions



~~Hand Equipment~~  
INVENTION

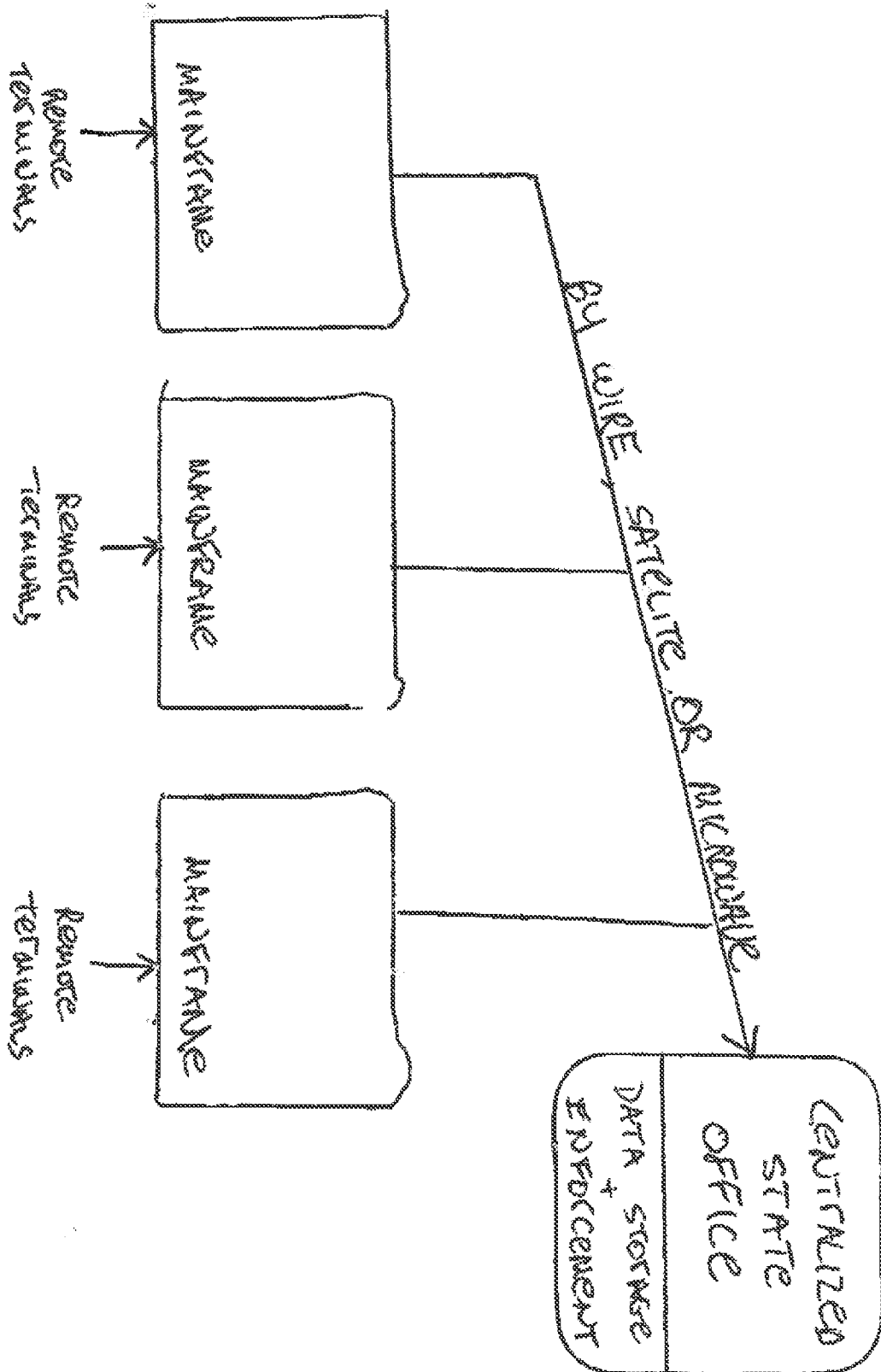


TAX CASH REGISTER REPORTS  
CONTAINED IN STATE OFFICE



TOTAL TAXABLE SALE IS ENTERED





NETWORK OF REGIONALIZED MAINFRAME  
COMPUTERS HANDLES DATA ACCUMULATION  
AND FORWARDS TO CENTRAL LOCATION



# EXHIBIT H

PETSCHAUER and FRANCISCO  
CERTIFIED PUBLIC ACCOUNTANTS  
700 10th Avenue  
Post Office Box 150  
Belmar, New Jersey 07719  
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FAX 908-661-6546

FREDERICK J. PETSCHAUER, CPA  
PAUL A. FRANCISCO, CPA

Myers, Liniak & Berenato  
6550 Rockspring Dr  
suite 240  
Bethesda, MD 20817  
Mr Joseph Rhon

March 13, 1995

Point of Sale Tax Reporting and Collection System

Dear Joe,

The Electronic Data Exchange (EDI) is a wave of the future when it come to having a paperless society. It is like the internet that individuals are now using to communicate with each other.

Using EDI in our point of sale tax reporting system would simplify the data accumulation requirements we envision. EDI has been around 20 years and is used by big banks, newspapers, credit agencies and such. The IRS is planning to use it to replace electronic tax filing in the near future. It would be a paperless way for the states to accumulate daily sales tax transactions from retailers cash registers and send it to the mainframes at the state treasury office. Under the EDI system every sales tax transaction for which a receipt is issued is transferred from the from the electronic mailbox at the retailers location to the mailbox at the retailers location at the treasury office. Documents or the receipts would normally be sent through a Value Added Network (VAN), a third party who for a fee sets up and routes the transactions to the recipient. On a daily basis the state treasury downloads the information, summarizes it, stores it and generates an electronic funds transfer to the retailer to collect the tax due.

The benefit of using EDI is-the system already exists, no paper to handle or store, less errors and no printing costs. Equipment requirements are a P.C. cash register with a tax register and receipt system, high speed modem and modem communication software.

Joe, by research I have found that the above communication technology allows my invention to be implemented all the much sooner. We have to work this into the appropriate part of the system.

Paul Francisco &  
Frederick Petschauer

# EXHIBIT I

**PETSCHAUER and FRANCISCO**

(CERTIFIED PUBLIC ACCOUNTANTS)

701 10th Avenue

Post Office Box 170

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FREDERICK J. PETSCHAUER, CPA  
PAUL A. FRANCISCO, CPA

Myers, Linjak & Berenato  
6550 Rockspring Dr  
suite 240  
Bethesda, MD 20817  
Mr Joseph Rhea

March 13, 1995

Point of Sale Tax Reporting and Collection System

Dear Joe,

Following is a rough  
abstract and some background  
on

Paul

(54) POINT OF SALE TAX REPORTING, COLLECTION AND RECEIPT SYSTEM

(75) Co-Inventors: Paul Francisco and Frederick Petschauer  
Belmar, New Jersey

(73) Assignee: None

(57) ABSTRACT

A computerized and mechanical system that will insure to retail customers and state taxing authorities that all retail sales transactions upon which sales tax is collected, will be reported to the state for annual tabulation and submission to the IRS on form 1099 gross income and that all amounts of sales tax collected by the retailer for which a state sanctioned receipt is issued will be paid over to the state the following business day. *which includes the retailer's P.O.D.*

The computerized or electronic format uses an automated terminal, electronic cash register or automated tax register which is directly on line with the state taxing authorities, linked via an institutionalized automated clearing house or linked via the electronic data interchange (EDI) directly or through a value added network. Every transaction is transmitted to the state for summarization and on a daily basis the sales tax collected is totaled and an electronic fund transfer is prepared and sent to the retailers bank account *1001* thereby transferring the tax collected from the retailer's account to the state treasury. A mechanical format is used by those retailers who lack access to a terminal or are mobile. This system uses a declining register to issue a tax paid receipt. As the retailer charges the customer sales tax he issues a recognizable bona-fide tax receipt which is attached to any conventional business invoice. When the credit balance in the machine declines to zero the retailer must contact the state and pay for additional tax credits.

Operation of this system insures the customer and state taxing authorities that all retail transactions are recorded by the state as long as a bona-fide receipt is obtained, insures that total annual gross income is properly reported for inclusion in the federal and state income tax return and that all taxes collected are paid over in an accelerated fashion. An additional operation allows every taxpayer to verify that his payment was turned over to the state.

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## FIELD OF THE INVENTION

This invention relates to a system for the reporting of gross retail sales and collection of sales tax thereon on every retail transaction that takes place in the nation. Special emphasis is given in this system to the fact that it is commonly known that many retailers are unscrupulous and do not report every transaction and keep the resultant sales tax collected for their own enrichment and do not declare the gross income in their federal and state income tax return.

## BACKGROUND ART

Almost every state in the nation has legislated a percentage sales tax on retail goods sold to consumers. The rates vary and the items taxed or untaxed vary from state to state. In most states a certificate of authority is issued by the state government to a retail establishment which authorizes the retailer to collect sales tax from the public consumer and then, in turn, pay over all collected funds to the state treasury. When cash transactions occur or inadequate records are kept the retailer may fail to report sales and fail to turn over the tax at a great loss to the state and federal treasury. To enforce the proper reporting of sales and the and the turnover of the correct amount of sales tax the states employ many auditors whose job it is to go around from establishment to establishment to check the books and records for error. If an unreported cash transaction occurs or the paperwork is not available the auditor is lost and the transaction is undetectable. The general situation as it exists now is that retailers charge the required tax in most instances but the customer and the state taxing authority have no sure way to verify that all transactions are being reported and all tax paid over. It could be said that the retailer is on an honor system to report all retail sales and pay over all tax collected.

It is therefore the principal object of this invention to provide a system to state and federal government to insure that a proper reporting of all retail transactions is made to taxing authorities and that all sales tax collected from the retail consumer is paid over to the taxing authorities. It is also desirable that such a system have the flexibility for adaptation to other types of taxing of goods and services such as, but not limited to, a potential value added tax system.



# EXHIBIT J

**PETSCHAUER and FRANCISCO**

CERTIFIED PUBLIC ACCOUNTANT'S

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908 281-8749

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FREDERICK J. PETSCHAUER, CPA  
PAUL A. FRANCISCO, CPA

Myers, Liniak & Berenato  
6550 Rock Spring Dr  
Suite 240  
Bethesda, MD 20817  
Mr Joseph Rhoa

March 21, 1995

Dear Joe,

Enclosed is an equipment schematic required to get our task accomplished. I have also revised the reporting format to include tips earned by tipped employees. Since retail employees are notorious for under reporting tips and the system is in place, a simple tip entry by server records daily tips and issues a tip report to the employee. The daily tips are reported to the IRA electronically.

We hope everything is going well.

Very truly yours,



Paul Francisco

# EXHIBIT K

MYERS, LINIAK & BERENATO  
 6550 Rock Spring Drive  
 Suite 240  
 Bethesda, Maryland 20817  
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4/30/95

PETSCHAUER & FRANCISCO  
 MR. PAUL FRANCISCO  
 P. O. BOX 150  
 BELMAR NJ 07719

MATTER 02434.110 TAX COLLECTION INVENTION

	Activity This Period	Total
3/13/95	PYMT CK# 1906	1500.00
3/1/95	LEXIS DATA BASE TIME	53.87
	CHARGE FOR SEARCH (2/15/95)	
	TELEPHONE	4.00
4/6/95	JAR:DRAFT APPLN. 1.70 Hrs at \$150.00	255.00
4/12/95	JAR:DRAFT APPLN. 5.00 Hrs at \$150.00	750.00
4/13/95	JAR:DRAFT APPLN. 4.00 Hrs at \$150.00	600.00
4/17/95	JAR:REVISE PATENT 2.25 Hrs at \$150.00	337.50
	APPLICATION AND FORWARD TO INVENTORS FOR DRAFT REVIEW	
	TELEPHONE	6.31
	COPIES	7.05

Amounts Now Due for Matter 02434.110  
 4/30/95 Service This Period 442.50  
 4/30/95 Expense This Period 71.23

	Service	Expense
Previous Balances	0.00	0.00
Payments Received This Period	1500.00CR	0.00
	=====	=====
Balances Forward	1500.00CR	0.00
Billed This Period	1942.50	71.23
	=====	=====
Current Balances	442.50	71.23
Total Now Due	513.73	

# EXHIBIT L

# MYERS, LINIAK & BERENATO

PATENT, TRADEMARK & COPYRIGHT LAW

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JOSEPH W. BERENATO, III \*\*  
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OF COURSE:  
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SCOTT W. BRICKNER  
NEW PATENT AGENTS

April 17, 1995

\* ADMITTED IN D.C.  
\* ADMITTED IN MD.  
\* ADMITTED IN VA.

VIA FAX TRANSMITTAL

Frederick J. Petschauer, C.P.A.  
Paul A. Francisco, C.P.A.  
Petschauer and Francisco  
700 10th Avenue  
P.O. Box 150  
Belmar, New Jersey 07719

Re: Patent Application Draft  
Our Ref. No.: 2434.110

Dear Paul and Rick:

Just to let you know, we will be Federal Expressing to you today a first draft of your patent application for your review and comment.

Very truly yours,

  
Joseph A. Rhoe

JAR/vn

# EXHIBIT M

## MYERS, LINIAK & BERENATO

PATENT, TRADEMARK & COPYRIGHT LAW

GEOFFREY R. MYERS\*\*  
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J. ANDREW MCKINNEY, JR.  
SCOTT W. BRICKNER  
REG. PATENT AGENTS

April 17, 1995

\* ADMITTED IN D.C.  
\* ADMITTED IN MD.  
\* ADMITTED IN VA.

VIA FEDERAL EXPRESS

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Paul A. Francisco, C.P.A.  
Petschauer and Francisco  
700 10th Avenue  
P.O. Box 150  
Belmar, New Jersey 07719

Re: Patent Application Draft  
POINT OF SALE TAX REPORTING AND AUTOMATIC  
COLLECTION SYSTEM  
Our Ref. No.: 2434.110

Dear Paul and Rick:

Enclosed herewith is a first draft of your patent application for your review.

As you will see, there is still much work needed to be done on the application. Accordingly, please review the application and note down all comments and additional points you may wish to add.

[REDACTED]

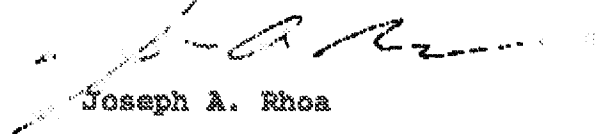
Take your time in carefully going over the application and drawings and get back to me at your convenience so that we may discuss same. We anticipate going through at least one more draft of the application before it is in condition for filing.



MYERS, LINIAK & BERENATO  
Messrs. Paul A. Francisco and  
Frederick J. Petschauer  
April 17, 1995  
Page two

If you have any questions or comments, please feel free to  
give us a call.

Very truly yours,



Joseph A. Rhoa

JAR/kn

Enclosures

# EXHIBIT N

## MYERS, LINIAK &amp; BERENATO

PATENT, TRADEMARK &amp; COPYRIGHT LAW

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May 8, 1995

VIA FEDERAL EXPRESS

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Paul A. Francisco, C.P.A.  
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700 10th Avenue  
P.O. Box 150  
Belmar, New Jersey 07719

Re: Patent Application Draft  
POINT OF SALE TAX REPORTING AND AUTOMATIC  
COLLECTION SYSTEM WITH TAX REGISTER  
Our Ref. No.: 2434.110

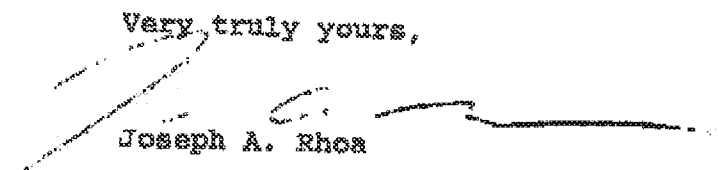
Dear Gentlemen:

Enclosed herewith is the above-identified patent application for your review and comments. Also enclosed are a Declaration, Information Disclosure Statement and Small Entity Form for your execution.

After carefully reviewing the application and drawings, please execute the three enclosed documents and return same to us so that we may file them with the United States Patent and Trademark Office.

If you wish to make any changes to the application or drawings, please call us before signing the Declaration. Additionally, if you have any other questions or comments, please feel free to give us a call at any time.

Very truly yours,

  
Joseph A. Rhoa

JAR/kn

Enclosures

# EXHIBIT O

## DECLARATION FOR PATENT APPLICATION

Docket Number (Optional)

2434.110

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter which is claimed and for which a patent is sought on the invention entitled  
**POINT OF SALE TAX REPORTING AND AUTOMATIC COLLECTION SYSTEM WITH TAX REGISTER** specification of which

is attached hereto unless the following box is checked:

☐ was filed on \_\_\_\_\_ as United States Application Number or PCT International Application Number \_\_\_\_\_ and was amended on \_\_\_\_\_ (if applicable).

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose information which is material to the examination of this application in accordance with Title 37, Code of Federal Regulations, § 1.56(a).

I hereby claim foreign priority benefits under Title 35, United States Code, § 119 of any foreign application(s) for patent or inventor's certificate listed below and have also identified below any foreign application for patent or inventor's certificate having a filing date before that of the application on which priority is claimed.

Prior Foreign Application(s)

Priority Claimed

(Number)	(Country)	(Day/Month/Year Filed)	Priority Claimed
_____	_____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
_____	_____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
_____	_____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

I hereby claim the benefit under Title 35, United States Code, § 120 of any United States application(s) listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States application in the manner provided by the first paragraph of Title 35, United States Code, § 112, I acknowledge the duty to disclose material information as defined in Title 37, Code of Federal Regulations, § 1.56(a) which occurred between the filing date of the prior application and the national or PCT international filing date of this application.

(Application Number)	(Filing Date)	(Status - patented, pending, abandoned)
_____	_____	_____
_____	_____	_____

I hereby appoint the following attorney(s) and/or agent(s) to prosecute this application and to transact all business in the Patent and Trademark Office connected therewith: Geoffrey R. Myers, Reg. #24,897; Thomas P. Liniak, Reg. #33,415; Joseph W. Berenato, III, Reg. #30,546; Joseph A. Rhoa, Reg. #37,515.

Address all telephone calls to Joseph A. Rhoa, Esq. at telephone number (301) 365-8000

Address all correspondence to Joseph A. Rhoa, Esquire  
Myers, Liniak & Berenato  
6550 Rock Spring Drive, Ste. 240  
Bethesda, Maryland 20817

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Full name of sole or first inventor (given name, family name) Paul A. Francisco  
 Inventor's signature Paul Francisco Date May 9, 1995  
 Residence 101 Norwood Avenue, Loch Arbour, Citizenship U.S.A.  
 Post Office Address Same NJ 07711

Full name of second joint inventor, if any (given name, family name) Frederick J. Petschauer  
 Second inventor's signature Frederick J. Petschauer Date May 9, 1995  
 Residence 402 10th Avenue, Belmar, NJ 07719 Citizenship U.S.A.  
 Post Office Address Same

☐ Additional inventors are being named on a separate sheet attached hereto.

**VERIFIED STATEMENT CLAIMING SMALL ENTITY STATUS**  
**(37 CFR 1.9(f) & 1.27(b))--INDEPENDENT INVENTOR**

Docket Number (Optional)

2434.110

Applicant or Patentee: Paul A. Francisco et al

Serial or Patent No.: \_\_\_\_\_

Filed or Issued: \_\_\_\_\_

Title: POINT OF SALE TAX REPORTING AND AUTOMATIC  
COLLECTION SYSTEM WITH TAX REGISTER

As a below named inventor, I hereby declare that I qualify as an independent inventor as defined in 37 CFR 1.9(c) for purposes of paying reduced fees to the Patent and Trademark Office described in:

☒ the specification filed herewith with title as listed above.

☐ the application identified above.

☐ the patent identified above.

I have not assigned, granted, conveyed or licensed and am under no obligation under contract or law to assign, grant, convey or license, any rights in the invention to any person who would not qualify as an independent inventor under 37 CFR 1.9(c) if that person had made the invention, or to any concern which would not qualify as a small business concern under 37 CFR 1.9(d) or a nonprofit organization under 37 CFR 1.9(e).

Each person, concern or organization to which I have assigned, granted, conveyed, or licensed or am under an obligation under contract or law to assign, grant, convey, or license any rights in the invention is listed below:

☒ No such person, concern, or organization exists.

☐ Each such person, concern or organization is listed below.

Separate verified statements are required from each named person, concern or organization having rights to the invention averring to their status as small entities. (37 CFR 1.27)

I acknowledge the duty to file, in this application or patent, notification of any change in status resulting in loss of entitlement to small entity status prior to paying, or at the time of paying, the earliest of the issue fee or any maintenance fee due after the date on which status as a small entity is no longer appropriate. (37 CFR 1.28(b))

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application, any patent issuing thereon, or any patent to which this verified statement is directed.

Paul A. Francisco

NAME OF INVENTOR

Signature of inventor

Date

Frédéric J. Petschauer

NAME OF INVENTOR

Signature of inventor

Date

NAME OF INVENTOR

Signature of inventor

Date